

TO: Distribution

DATE: April 19, 1985

FROM: R. Stirlen

SUBJECT: MARLBORO 25's

The major problem currently facing Marlboro 25's is a lack of product acceptance at the store level -- this in spite of a relatively high level of consumer preference. While acceptance is a problem in both chain and independent accounts, it is most acute in chain supermarkets which are the major source of carton volume.

Based on our discussions this morning, there are three key reasons for this lack of acceptance:

1. Category Resistance - there is obvious concern about a significant round of brand proliferation with the introduction of a 25's version of a major brand. This is magnified by the perception that Marlboro 25's provides no real added value to the consumer (like Century) and is therefore an unnecessary addition to the authorized product list.
2. Price/Value Consideration - related to the above, since it is felt that Marlboro 25's does not provide added consumer value, there is resistance to adding another price level to the system.
3. Misringings - store managers are very concerned that they are losing profits because clerks are ringing-up Marlboro 25's at the 20's price.

(Please Note: The fourth major concern - hand stamping - has for the most part been effectively addressed at this point, although it still may be a consideration in the acceptance decision process.)

In order to overcome the resistance to Marlboro 25's, we must develop a program which focuses maximum pressure on the chain and independent cigarette buyer. However, our program cannot be limited to this group if complete distribution is to be achieved and maintained. Rather we must address each group in the distribution chain, from the Sales Force to the consumer, to ensure Marlboro 25's acceptance, inventory, display and product movement.

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To that end, we are considering a four point program which is outlined below:

1. Sales Force Bonus Program - while the Sales Force continues to be highly motivated and active in support of Marlboro 25's, we must keep the level of excitement high. To that end, we are considering an incentive program that awards points for 25's retail carton placement and POS display. Bonus points would be awarded for new placements/acceptances. At the present time, we are investigating the possibility of having the points redeemable for airline travel and/or Marlboro gear (sheepskin coats, boots, hats, etc.)
2. Marlboro 25's Business Presentation - the key to our program is a presentation which stresses the benefits of Marlboro 25's to the chains to include existing levels of consumer acceptance and increased retail profit potential. Significantly, at the same time we must also identify the specific profit pressure points for these chains and develop a plan to address them. This plan may necessitate offering extended terms, register re-programing rebates and count-recount bonuses to gain acceptance as well as maintain adequate levels of distribution.
3. Retailer Awareness Program - it is important that all retail personnel recognize the Marlboro 25's price structure. We are looking at additional incentive and functional items to reinforce the "25 cigarettes for the price of 25" concept.
4. Consumer Program - it is critical that we maintain a high level of consumer interest in Marlboro 25's. To that end, we are looking at these alternatives for Marlboro 25's:
  - . A two-pack lighter program (40-60 deals).
  - . A carton incentive program (30-40 cartons).
  - . A media delivered Marlboro 25's incentive opportunity.

These elements are in addition to the ongoing supply of POS materials we are providing, including carton and Plan C displays.

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Clearly this is a working outline indicating some possible directions we can take to improve Marlboro 25's acceptance, distribution and display. We each have a lot to do to pull these programs together, and know our areas of responsibility based on today's discussions. I will be in touch early next week to schedule follow-up meetings either as a group or individually.

Please call if you have any questions.

/ra

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